

## **CAP COMPLIANCE FOR FIRST-CLASS MAIL PRICE CHANGES**

### **I. PREFACE**

The overall percentage increase for First-Class Mail is 2.133 percent, equal to the annual limitation authority of 2.133 percent. USPS R2012-3/1 contains the workpapers which demonstrate that the percentage change in First-Class Mail prices complies with the Available Rate Change Authority. It consists of this summary document, and one set of Excel workpapers described in detail below. **The revisions of November 8, 2011 are described at the end of this Preface.**

### **II. ORGANIZATION**

For purposes of calculating the percentage change in prices, First-Class Mail includes both domestic First-Class Mail and Single-Piece First-Class Mail International (FCMI). The Excel file labeled **CAPCALC-FCM-R2012.xls** contains the billing determinants, current prices, adjusted prices and revenue calculations for First-Class Mail. The percentage rate change calculations in this file include total revenue and volume from Outbound and Inbound Single-Piece First-Class Mail International (FCMI) derived from the Excel files labeled **CAPCALC-FCMI-R2012.xls** and **Inbound CAPCALC-FCMI-R2012.xls**, respectively. These two files contain the billing determinants, current prices, adjusted prices, and revenue calculations for Outbound and Inbound Single-Piece FCMI. Details of the International price change including the above two files are provided in USPS R2012-3/NP1.

The remainder of this document describes the contents of the above referenced workpaper: CAPCALC-FCM-R2012.xls.

### **III. First-Class Mail**

#### **A. Adjustments to the Billing Determinants**

As described below, the workpapers in CAPCALC-FCM-R2012.xls are based upon the hybrid billing determinants using the last quarter of FY2010 and the first three quarters of FY2011, and they reflect the additional detail discussed below. After the cover page and the index there are seventeen tabs.

The first tab ("Retail Parcels") provides an estimate of retail parcels by ounce increments. The initial three quarters (Q4 FY10 to Q3 FY11) are estimated based on the indicia. Last quarter (Q3 FY11) is based on actual RPW data. The Commercial Base and Commercial Plus parcels are taken out from the market dominant portion of First-Class Mail. The second worksheet ("Hybrid Yr. Billing Determinants") has the annual billing determinants for the Hybrid Year using the fourth quarter of FY2010 and first three quarters of FY2011. The only volume adjustment is in the area of First-Class Mail parcels. Retail parcels are included

in the market dominant price adjustment while Commercial Base and Commercial Plus parcels are included in the competitive price adjustment.

The RPW data for the initial three quarters (Q4 FY2010 to Q2 FY2011) of the hybrid billing determinants does not make a distinction between Retail and Commercial Base parcels. In order to put these parcels into their respective categories, indicia were used. Stamps, PVI, Meter and Other indicia were assigned to the Retail category, while IBI (including PC Postage) and Permit were assigned to Commercial Base. After the implementation of R2011-2 prices on April 17, 2011 (Q3 FY2011), RPW started reporting First-Class Mail parcels data for both Retail and Commercial Base parcels.

## **B. Revenue and Percentage Rate Change Calculations**

The prices for each First-Class Mail rate cell are presented in USPS Notice of Price Adjustment, Attachment A.

As explained above, in CAPCALC-FCM-R2012.xls, the hybrid billing determinants were used as the basis for the weighting to calculate the percentage rate changes for domestic First-Class Mail.

A tab titled "Cost Avoidances" presents the mail processing and delivery costs (wherever applicable) that are used in calculating workshare discounts. It also includes weighted average mail processing and delivery costs for AADC and 3-Digit Automation Letters as an alternative approach of calculating discounts for AADC and 3-Digit letters. The following pair of CAPCALC-FCM-R2012.xls tabs -- "Single-Piece" and "Presort" -- provides the volume multiplied by the current and adjusted rates for single-piece and presort price cells, respectively. Most of the volume cells are linked to the previous tabs. Revenue is calculated by multiplying the same volume by the current and adjusted rates.

The next four tabs in CAPCALC-FCM-R2012.xls, provide the same information for each of the following:

- *SP [Single-Piece] Letters and Cards;*
- *Presort Letters & Cards;*
- *Flats;*
- *Parcels.*

These tabs provide the Before and After Rates postage using the same volume, and calculate the percent increase for each product.

The next tab, 'FCM International' provides the before and after revenues for all the Outbound and Inbound categories as discussed above.

The next tab, 'Percent Change Summary' provides percent changes for the products within First-Class Mail and FCM International.

The next three tabs titled:

- *First-Class Single-Piece*
- *First-Class Discount Letter*
- *First-Class Discount Flats and*

provide the current and new prices for each price cell, and the resulting percent change for each price cell.

The last three tabs in CAPCALC-FCM-R2012.xls

- *Passthru FCM SP Letters, Cards*
- *Passthru FCM Bulk Ltrs, Cards*
- *Passthru FCM Flats*

replicate the First-Class Mail workshare passthrough tabs from USPS-FY10-3, but with one difference. The discounts in these tabs are calculated on the basis of the adjusted Docket No. R2012-3 prices, as opposed to the prices implemented as a result of Docket No. R2009-2. The cost avoidances match the estimates used in ACD 2010 in the relevant First-Class Mail section.

Passthroughs that are above 100 percent are discussed in USPS Notice of Price Adjustment, in the section Workshare Discounts.

## **REVISIONS OF NOVEMBER 8, 2011**

The following worksheets and cells were affected in CAPCALC-FCM-R2012.xls, consistent with the changes to USPS-R2012-3/NP1 filed on November 3, 2011.

Worksheet 'FCM International'

Cell C13 Was \$207,634,522; Now \$215,525,688  
Cell E13 Was \$215,903,071; Now \$215,785,096  
Cell G13 Was 3.982%; Now 3.980%  
Cell C15 Was \$866,485,181; Now \$866,376,327  
Cell E15 Was \$907,024,756; Now \$906,906,781  
Cell G15 Was 4.679%; Now 4.678%

Worksheet 'Percent Change Summary'

Cell C8 Was \$866,845; Now \$866,376  
Cell D8 Was \$907,025; Now \$906,907  
Cell E8 Was 4.679%; Now 4.678%  
Cell I8 was \$40,540; Now \$40,530  
Cell C9 Was \$31,777,620; Now \$31,777,511  
Cell D9 Was \$32,455,451; Now \$32,455,323  
Cell E9 Was 2.13302%; Now 2.13299%  
Cell I9 Was \$677,822; Now \$677,813

All of the above cells are highlighted in yellow.

There was no change in the First-Class Mail percentage increase or banked authority.